

***WORKERS COMPENSATION BOARD OF INDIANA***

**2010 SECOND INJURY FUND  
CALCULATION OF FUNDING LEVEL**

**December 10, 2009**

Please note the assessment can be paid in two installments.

The due dates are:

**Jan 31, 2010**

**June 15, 2010**



## STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

**Linda Peterson Hamilton, Chairman**

### **WORKERS COMPENSATION BOARD**

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## **SECOND INJURY FUND REPORT**

**by the Chair**

## **AND ASSESSMENT FOR 2010**

December 10<sup>th</sup>, 2010

I hope this finds each of you warm and safe this chilly December.

As predicted in our November 1<sup>st</sup> report, the Second Injury Fund will end the year in the black. Included in this report are the numbers provided by the ICRB and self-insured factors taken from renewal applications for 2007 and 2008 along with historical data of payouts. The assets in the Fund on November 1, 2009 were less than 135% of the payout in 2008, and thus an assessment is appropriate for 2010 in accordance with IC 22-3-3-13 (c)(2).

If not for the prudent reserve, the Fund would not have been able to cover all of its obligations to pay Permanent Total Disability benefits and the replacement cost of work related prosthetics. The cost of prosthetics in 2009 was 18.6% higher than in 2008. Historically, the Fund has seen cyclical changes in the annual cost of prosthetics, because many prosthetics have an average lifespan of three years. Based on the last four years' experience, the Board predicts the cost for prosthetics in 2010 will be approximately 35% higher than it was this year. The cost of inflation was not factored in.

Both the technical development, and thus the cost, of prosthetics have been escalating at a remarkable rate. The Act does not include a standard for the

Board to apply when it selects a type of replacement prosthetic limb for an injured worker. In many cases, improvements have been developed since the prosthetic was last provided to the injured worker. The Board will continue to provide the new and improved model most like that originally provided to the worker, in most cases. A top-of-the-line replacement prosthetic will be allowed only if the top-of-the-line was initially provided by the Employer. We will continue to work primarily with Modern Medical, which has served us well.

The monthly cost of PTD payments continues to rise in a more predictable way with the addition of new payees. Yet, longer life spans and the occurrence of debilitating injuries at an earlier age keep this number from remaining constant.

The first of five installments of the Fund's loan repayment to the Board's Supplemental Fund occurred at the end of 2007. We have not withdrawn the 2008 or 2009 installment, or the administrative expenses for 2007, 2008 or 2009, due to a conflict created by the language of IC 22-3-3-13(g) which states that funds shall be used only for the "payment of awards of compensation ordered by the board..." Once this language has been amended by the legislature, these reimbursements will be paid to the Board. We have again factored in both of these fund expenses in our assessment for 2010.

Payments will be due on January 31<sup>st</sup> and June 15<sup>th</sup> if you choose to use the installment option. Remember the 10% penalty set out at IC 22-3-3-13 (c)(2) for late payments and that no reminder will be sent before the June due date .

Take care and please call Mary Taivalkoski or me if you have questions or comments regarding the assessment or report.

May each of you enjoy a peaceful and joyous holiday season.

Yours very truly,

Linda Peterson Hamilton

## 2nd INJURY FUND REPORT

December 30, 2009

Available Fund Balance 12/31/08	818,121.13
Revenue From 2009 Assessment	4,208,382.09
Total Available Monies in 2009	5,026,503.22
Expenditures 2009:	
Indemnity	4,099,537.00
Prosthetics	<u>624,711.17</u>
Total	4,724,248.17
<b>Balance of Fund after Payment of Claims</b>	<b>302,245.05</b>
*Loan Repayment	(192,400.00 )
*Administrative Fees 2009	<u>(42,000.00 )</u>
Credit Against 2010 Assessment	67,845.05

## 2010 Assessment Factors

Indemnity (3 months indemnity)	1,076,130.00
Prosthetics (3 month avg. expense)	210,840.81
<b>Total Prudent Reserve</b>	<b>1,286,970.81</b>
Estimated Expenditures	
Indemnity	4,304,514.00
Prosthetics	843,360.00
Loan	192,400.00
Administrative Fees	42,000.00
<b>Recommended Assessment</b>	<b>*6,670,252.00</b>

## Reported and Historical Data Utilized in Assessment of Fund

Reported by ICRB for 2008:	
Total Losses Paid	436,611,000
Total Premiums Written	710,109,000
Reported by ICRB for 2007	
Total Losses Paid	418,292,000
Total Premiums Written	796,025,000
Self-Insured Factors 2008:	
Total Indemnity Paid	17,686,744
Total Medical Paid	48,563,961
Total Self-Insured Losses Paid	66,250,705
<i>Self- Insured Factors 2007:</i>	
<i>Total Indemnity Paid</i>	<i>18,136,827</i>
<i>Total Medical Paid</i>	<i>43,407,436</i>
<i>Total Self-Insured Loss Paid</i>	<i>61,544,263</i>

### Total Expenditures Reported By the WCB

Jan/Dec 2009	
Prosthetics	624,711.17
Indemnity	4,099,537.00
Jan/Dec 2008	
Prosthetics	527,506.61
Indemnity	3,413,452.73
Jan/Dec 2007-	
Prosthetics	539,340.26
Indemnity	3,539,032.20
Jan/Dec 2006-	
Prosthetics	246,604.01
Indemnity	3,432,705.28
Jan/Dec 2005	
Prosthetics	276,835.78
Indemnity	3,185,737.86
Jan/Dec 2004-	
Prosthetics	139,710.18
Indemnity	2,900,396.86